

USAID/Peru

Operational Plan

FY 2006

June 15, 2006

Please Note:

The attached RESULTS INFORMATION is from the FY 2006 Operational Plan and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Operational Plan is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Portions released on or after July 1, 2006

Program Performance Summary FY 2005: Since Alejandro Toledo assumed the presidency in 2001, Peru has pursued an ambitious program to consolidate democracy and promote a market-based economy that can benefit all Peruvians. Peru's economy is one of the most dynamic in Latin America. GDP grew 5.1% in 2004, reaching \$67 billion. Growth was driven by exports, construction, mining investment and domestic demand. The economy continued to steam ahead in 2005, rising 5.6% in the first 6 months. Exports are up another 20% over last year, and reserves have hit a record \$14.1 billion. Inflation is 2.5%, and the government is on track to meet its 2005 budget deficit target of one percent of GDP. Government revenues are up 11% over last year. Notwithstanding this impressive macroeconomic performance, major challenges remain. Taking into account the noteworthy decline in poverty documented this year, 52% of Peruvians still live in poverty, with 19.2% living in extreme poverty. Wealth and economic activity are overly concentrated in Lima and other large cities. Unemployment and underemployment total 56% nationwide, and over 60% of the economy is in the informal sector.

Further, Peru's political scene remains fragmented. With national elections in April 2006, a full 29 parties are registered to field presidential and congressional candidates. No candidate currently has more than 25% in the polls. Former President Alberto Fujimori's recent arrival in Chile further complicates an already murky political scene. Nonetheless, with center-right presidential candidate Lourdes Flores as the early frontrunner, Peru has the potential to continue to serve as an anchor of political stability in the Andean region. The political fragmentation reflects and abets the dissatisfaction many Peruvians have with the state of democracy. Poll after poll reveals little confidence in the ability of traditional politicians and politics as usual to move the country forward in effective and transparent ways that make a difference in everyday lives. Increased reporting of corruption and trials on corruption charges have produced a sense that corruption is on the rise.

USAID works as an integral part of the U.S. Country Team in Peru and collaborates with Peruvian partners, other donors, governmental and non-governmental organizations, and the private sector to help Peru achieve a secure, democratic and prosperous future for its citizens. USAID's overarching goal - to facilitate Peru's internal and international integration -- fits squarely within U.S. foreign policy objectives. Internal integration means greater presence of the State in the interior of the country, and economic and social development - improved quality of life - based on licit livelihoods. International integration calls for strengthened democratic institutions, more participation in free trade and a decreased share of worldwide narco-trafficking.

USAID programs address three main development challenges that impede Peru's internal and international integration. First, limited government presence in the highlands and jungle allows illegal coca cultivation, drug trafficking, illegal logging, remnants of terrorism and HIV/AIDS transmission to flourish there. To address this, USAID/Peru's program focuses on 7 coca-growing regions and the Peru-Ecuador border, where this absence of the state threatens stability. Through strategic objective agreements and a variety of grants and contracts, USAID strengthens state presence through activities to reduce coca cultivation and promote licit alternatives, complemented by actions in health, education, economic growth, environment and democracy.

Second, weak democratic institutions and low citizen confidence likewise thwart internal and international integration. In response, USAID promotes participatory and decentralized government responsive to its constituency. Despite an October setback in a referendum on forming macro-regions, decentralization at the municipal level continues to unfold positively, with USAID support. This process, recognized for its critical role in maintaining democratic stability and countering narco-trafficking influences at the local level, is widely accepted as the way forward. USAID activities proactively take indigenous groups and gender into account, to help secure equal access for women and the indigenous to information and decision-making at the local, regional and national levels; to viable income-generating endeavors; and to quality health and basic education services, especially for girls in rural areas.

Third, while Peru's economy has outperformed most economies in Latin America recently, a majority of Peruvians have not benefited proportionately from the sustained growth. From employment generation and business development to microfinance and food security, USAID/Peru's economic growth program plays a pivotal role in reducing the poverty gap by establishing a sound investment and business

development climate that generates trade, sustainable employment and income in an equitable manner, accompanied by good stewardship of the environment.

USAID also supports key Millennium Challenge Account goals. Peru was not selected among the few lower-middle-income countries eligible for MCA 2006 assistance. Though preliminary analysis in 2004 indicated Peru might be competitive, backsliding on some key indicators combined with changes in the median on others resulted in Peru's qualifying on only 5 of the 16 indicators. The only policy area Peru passed was Economic Freedom, and Peru failed all 4 indicators in Investing in People. For the past year, the Mission had been working to help prepare Peru for the MCA. We successfully shepherded the formation of a GOP MCA Working Group, established in February 2005 through formal Prime Ministerial Decree. USAID and the GOP MCA Working Group will continue over the next year to enhance Peruvian performance under the indicators where Peru is found wanting and maintain momentum under those where Peru has performed well in recent years relative to peer countries.

Key Achievements in 2005:

Democratic Initiatives: Our decentralization program contributed significantly to policy at the national level and to operations locally in the Mission's priority regions. Project interventions raised local government capacity to deter drug-trafficking, illegal logging, terrorism and other criminal practices, as well as respond more effectively to citizens. Local government and civil society oversight capacities are stronger in 537 municipalities, approximately one-third of the nation's total. Despite the disappointments in justice, one glowing achievement in legal reform stands out: 13 new commercial courts became operational in 2005. Because of them, the time to resolve commercial disputes and enforce court decisions has fallen dramatically, from 36 months to a maximum of 6 months. This augurs well for the investment climate.

Economic Growth: We met and in some cases exceeded expectations in performance indicators and continue to increase economic opportunities for the poor. Business development services in the poor, rural highlands and jungle have raised sales of targeted products and services by \$35.2 million (26% above target) and generated an equivalent of 19,800 full-time-equivalent jobs (10% above target), 37% for women. In addition, financial services in areas of high poverty reached 280,370 additional poor clients (61% of them women), by providing essential services (including DCA guarantees) to improve the portfolio size and quality of 30 microfinance institutions. We are also laying the foundation for continued trade-led growth and increased market access for micro, small and medium enterprises, as a further assault on poverty.

Peru-Ecuador Border: The Border program completed the 510-foot Rio Nieva Bridge, which eliminates a major obstacle in the jungle road network between Peru and Ecuador, facilitating cross-border trade and reducing transaction costs for all economic activity in this area. We also started a DCA loan portfolio guarantee and began a ground-breaking activity to streamline business registration. Efforts improve the business environment, increase access to key economic infrastructure and financial services, and enhance the competitiveness of small enterprises. Participating enterprises generated \$6.3 million in new sales (5.2% above target) and created 1,641 jobs, 21% of them for women.

Regional Trade: A politically unstable scenario is shaping up in the region, as presidential elections draw near for Bolivia, Colombia and Peru, and as Ecuador enters the final months of its president's term. Despite this uncertainty, the four countries' economies are growing, led by Peru's more than 5% growth in 2005. Best of all, labor-intensive non-traditional exports, bolstered by the Andean Trade Preferences and Drug Eradication Act (ATPDEA), are an active part of this growth. Non-traditional exports in Peru grew by 27% in 2005, led by textiles and agricultural products for the USA. In Colombia, agriculture products and textiles led a 20% rise in non-traditional exports, while in Ecuador, trade liberalization stimulated the growth of 14% in those types of goods. Finally, the Andean Artisans Entrepreneurs Initiative (AAEI) handsomely exceeded its target for new sales by reaching \$1.169 million (389% of the target).

Environment: We continued to strengthen GOP capacity to improve and implement the country's environmental legal framework, while striking a balance between conservation and the promotion of licit livelihoods. FY 2005 witnessed important environmental victories at the policy, institutional and local

levels. At the policy level, the Congress passed the General Environmental Law, reflecting years of work by USAID and the Peruvian environmental sector at large.

Improved Health: Our multi-pronged health program is improving the health of Peruvians and, more fundamentally, strengthening the performance of key institutions and organizations in the sector. The Ministry of Health, our principal counterpart, enjoyed strong leadership. Gains were impressive in the focus regions: skilled attendance at birth climbed over 10 points (from 61% to 72%), and women's knowledge of the fertility cycle (a key family planning indicator) rose from 31% to 36%. Finally, we substantially surpassed targets for MoH epidemiological surveillance and extension of AIDS treatment.

Education: Our education program continued to improve basic education quality. At the local level, we expanded the Active School model to 141 rural, multi-grade schools in the San Martin priority region, directly reaching some 7,000 children and enhancing local participation in school management. We were particularly gratified to surpass the quality of education indicator: Students in participating schools that met grade-level on standardized tests exceeded the control group by 4 percentage points (11% for USAID schools versus 7% for controls). In absolute terms, this means that 60% more students in USAID-targeted schools reached the standards, compared to the control group.

Alternative Development: An integral component of the USG multi-agency counter-narcotics strategy, our voluntary eradication program, now in its third year, has sustained the commitment of over 27,000 families to maintain their communities' coca-free status and continue to engage in licit livelihoods. We exceeded the target of families that accept the need to eliminate coca in their communities; this rose 3.5 points to 46.7%, a remarkable achievement in an atmosphere of misinformation exacerbated by narco-terrorist actions. The completion of the \$30-million upgrading of a central jungle highway is a landmark achievement, reducing travel time and corresponding costs from 12 to 4 hours and conferring a major opportunity to improve licit productivity in the former coca stronghold of the Central Huallaga Valley (San Martin region).

FY 2006 Program**SO: 527-006 Local Management of Quality Basic Education in Selected Geographic Areas****Achieve Equitable Access to Quality Basic Education**

Achieve Equitable Access to Quality Basic Education (\$2,450,000 DA). USAID's Innovations in Decentralization and Active Schools program ("AprenDes") continues to provide technical assistance and teacher training in 141 rural primary multi-grade schools in the San Martin region. USAID is fine tuning this model by providing technical assistance and training activities to targeted schools and communities and coordinating with ministry officials and local authorities to review and validate education materials developed in the program. Activities in the education model include: teacher training in active learning methodologies, engaging staff within local management units; promoting democratic values through school governments; strengthening the participation of parents, teachers, community members, and local authorities in the management of their schools; and establishing links with local pedagogical institutes to improve the preparation of future rural teachers. USAID is helping the Government of Peru (GOP) prepare for the implementation of the planned nationwide decentralization of the education sector. Technical assistance for ministry officials and selected regional and local governments are being provided to draft detailed regulations for local management of public education. Overall, the program strengthens the capacity of local school and community networks to promote and monitor policy reforms and support the development of the "Map of Responsibilities". Principal Implementer: Academy for Educational Development (AED).

FY 2007 Program**SO: 527-006 Local Management of Quality Basic Education in Selected Geographic Areas****Achieve Equitable Access to Quality Basic Education**

Achieve Equitable Access to Quality Basic Education (\$2,450,000 DA). A new education program financed by FY 2007 funding will begin in 2007. In this new program USAID will work collaboratively with the MOE to improve the quality of basic education and to implement policies that support decentralization of the education sector and improve education for all Peruvians. USAID will continue to facilitate nationwide decentralization of the education sector by working at the regional level in several USAID focus regions, through implementation of the education law, and by strengthening the capacity of the MOE at the national, regional, and local levels. Principal Implementer: To be determined through a competitive process.

FY 2006 Program**SO: 527-008 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas****Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness: (\$990,000 ESF; \$13,000 FY 2005 ESF). USAID assistance supports the creation and growth of enterprises as well as increased trade levels. Technical assistance to small and medium enterprises (SMEs) provides market information, facilitates commercial contacts between producers and national and international buyers (including Ecuadorians), and identifies companies willing to invest capital in local enterprises. Specialized assistance is provided to increase productivity, expand e-commerce, and procurement. Training and technical assistance is provided to targeted local private organizations to strengthen their capacity to reap the benefits of growing international trade. USAID may transfer funds to the Development Credit Authority (DCA) for guarantees to increase access to financial services and improved infrastructure (e.g. energy, transportation, water). Principal implementer: Chemonics International local non-governmental organizations, and others to be determined through a competitive process.

FY 2007 Program**SO: 527-008 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas**

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness: (\$1,000,000 ESF). USAID plans to continue supporting the creation and growth of enterprises and increased trade levels. Activities would include support to economic service centers, technical assistance to SMEs, and specialized assistance for E-commerce and procurement opportunities. This assistance would include training and technical assistance to address regulatory and administrative barriers faced by businesses, regional or local competitiveness and work to streamline border and customs services. Principal Implementers: Chemonics International, local non-governmental organizations, and others to be determined through a competitive process.

FY 2006 Program

SO: 527-009 Democratic Processes and Institutions Strengthened in Critical Areas

Promote And Support Anti-Corruption Reforms

Promote and Support Anti-corruption Reforms (\$380,000 ESF; \$1,037,000 FY2005 Carryover ESF). USAID is using Economic Support Funds (ESF) to strengthen civil society oversight of governmental anti-corruption initiatives and to participate more effectively in policy dialogue. In support of efforts to conduct free and transparent presidential, congressional, and local elections in 2006, a political party and elections program promotes party transparency and improve voter access to information. FY 2005 ESF Carryover funds from the International Narcotics Control and Law Enforcement (INCLE) are supporting G-8 Anti-Corruption Compact work with Peru in promoting anti-corruption measures with the new Government of Peru's (GOP) administration taking office in 2006. USAID is also providing information technology infrastructure for the poorest and most remote municipalities to gain access to government management systems. These funds help form a network of state procurement agencies in the western hemisphere. Principal contractors/grantees: Associates in Rural Development (ARD), Government of Peru (GOP), and others to be determined through a competitive process.

Strengthen Democratic Political Parties

Political Parties Strengthened (\$1,090,000 ESF). USAID is designing a new activity to strengthen political parties. Building on the results of the political party activities in the upcoming elections, USAID is expanding support for greater transparency and accountability among parties, both at the national and regional levels. Activities include strengthening internal democratic management of parties, improving the governance role parties can play, creating greater transparency of political financing, and improving enforcement of the Political Party Law passed in 2003. Principal contractors/grantees: To be determined through a competitive process.

Support Democratic Local Government & Decentralization

Support Democratic Local Government and Decentralization (\$1,287,000 DA; \$510,000 ESF). USAID is consolidating its support to 537 local governments, six regional governments, and more than 1,000 community organizations in seven targeted regions. Resources are being used for training, technical assistance and studies to strengthen regional and local governments, improve staff capacity, and expand levels of responsibility and accountability. This assistance is vital to ensuring that additional transfer of authority and finances from central to local governments occurs in a proper, transparent, and effective manner. USAID's decentralization activities are emphasizing the smooth assumption of power by the new regional and local authorities who will be elected in November 2006. ESF funds help to strengthen civil society's ability to participate in local planning, participatory budgeting, and government performance oversight, especially in preparation for the upcoming national and local elections in 2006. Training programs include conflict prevention and resolution strategies, especially those focused on gender issues and social problems such as domestic violence and inter-community conflict. USAID uses ESF funds to support an intensive information and communications campaign that enhances citizen knowledge and understanding of the decentralization process. Priority is given to the consolidation of a national

oversight network to track the transfer of resources and responsibilities from the central to the local levels. USAID continues to provide national level policy support to further the decentralization process. Principal contractors/grantees: Associates in Rural Development (ARD), Civil Society Coalition led by Catholic Relief Services, and others to be determined through a competitive process.

FY 2007 Program

SO: 527-009 Democratic Processes and Institutions Strengthened in Critical Areas

Promote And Support Anti-Corruption Reforms

Promote and Support Anti-corruption Reforms (\$500,000 DA). Those activities which complement anti-corruption efforts and are implemented through other program components are planned yet are awaiting the development of a new strategic framework and GOP priorities. USAID assistance will be aimed at strengthening government institutions and establishing effective mechanisms that will minimize future corrupt practices. Activities include working at the policy level to strengthen anticorruption measures and legislation as well as fortifying the National Anticorruption Council. Principal contractors/grantees: To be determined through a competitive process.

Strengthen Democratic Political Parties

Political Parties Strengthened (\$1,000,000 ESF). USAID will continue to promote greater transparency and accountability among political parties. Activities will focus on building linkages between national and local level party organizations. Ongoing efforts will continue to strengthen internal democratic management of parties, improve the governance role parties can play, and create greater transparency of political financing.

Support Democratic Local Government & Decentralization

Support Democratic Local Government and Decentralization (\$1,240,000 DA; \$1,000,000 ESF). As part of a new democracy strategic approach, USAID will reinforce regional and national level training and technical assistance capacity. Exact areas of intervention will depend on the priorities of the new GOP's administration that takes office in July 2006. It is expected, however, that U.S. foreign assistance will help municipal governments institutionalize the technical expertise being transferred during the current strategy. This includes technical assistance to integrate national and local management systems and to raise the capacity to develop and execute regional and local economic development plans. ESF funds will continue providing policy support for citizen oversight of the decentralization process, focusing on monitoring compliance with new decentralization policies and regulations, consolidating oversight networks, and tracking the transfer of resources to, and their proper use by, local level governments. During FY 2007 USAID expects to establish new implementation mechanisms. Principal contractors/grantees: To be determined through a competitive process.

FY 2006 Program

SO: 527-010 Increased Economic Opportunities for the Poor

Increase Trade and Investment

Increase Trade and Investment (\$1,520,000 DA, \$990,000 ESF). USAID supports an open dialogue with public, private and grassroots organizations on the benefits associated with private investment, free trade, and the effective implementation of a Free Trade Agreement (FTA) with the United States. Training and technical assistance to government officials and the private sector is provided to eliminate the highest priority barriers to trade and investment for micro, small, and medium enterprises (MSMEs). USAID identifies markets for local products and links entrepreneurs and producers to organizations that help improve productivity and competitiveness in the marketplace. USAID assistance is also directed to public sector agencies to improve the regulatory environment in areas such as business registration, property

rights, customs, small business regulation, E-government, labor laws, and competition policy. In response to growing tensions in mining areas, USAID is starting a pilot conflict mitigation activity. Principal contractors/grantees: Nathan Associates and other implementers to be determined through a competitive process.

Protect and Increase Food Security of Vulnerable Populations

Protect and Increase Food Security of Vulnerable Populations. P.L. 480 activities improve the health and productive capacities of poor families that lack access to adequate food. Basic health, nutrition, and food assistance interventions are targeted to malnourished and at-risk children. Food-for-work activities help improve community infrastructure such as safe water and sanitation systems, reforestation, and small irrigation systems. USAID uses the proceeds from the sale of food to help food-insecure families supplement their incomes. Finally, these funds support the decentralization of the GOP's food security programs, while enhancing program effectiveness to ensure sustainability. Principal contractors/grantees: Adventist Development and Relief Agency (ADRA), Caritas, PRISMA, local non-governmental organizations (NGO's).

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector and Increase Access to Capital (\$1,138,000 DA). USAID's activities contribute to expanding market access for MSMEs by expanding financial services and private sector investments through a variety of alliances and Development Credit Authority (DCA) agreements. USAID's resources leverage private sector resources through DCA agreements (up to \$800,000) for loan portfolio guarantees with strategic lending institutions or portable guarantees with strategic enterprises. USAID also supports activities which expand access to capital for private investment in public economic infrastructure will be supported. Principal contractors/grantees: municipal governments, private enterprises, and municipal savings banks.

FY 2007 Program

SO: 527-010 Increased Economic Opportunities for the Poor

Increase Trade and Investment

Increase Trade and Investment (\$1,000,000 ESF, \$1,240,000 DA). USAID plans to support activities that promotes economic growth and development and reduces poverty through the contribution of international trade and investment. Policy reform, strengthening institutional capacity, and meeting regulatory and market driven trade and investment standard activities may be implemented with an emphasis on those areas identified during negotiations of the FTA. The pilot conflict mitigation activity may continue to be funded. Implementers to be determined through a competitive process.

Protect and Increase Food Security of Vulnerable Populations

Protect and Increase Food Security of Vulnerable Populations. P.L. 480 funded activities as described will be continued, consistent with an approved plan to phase out Title II assistance to Peru by 2008. Principal contractors/grantees: Adventist Development and Relief Agency (ADRA), Caritas, Cooperative for Assistance and Relief Everywhere, Inc. (CARE), PRISMA, local non-governmental organizations.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen Financial Sector's Contribution to Economic Growth (\$500,000 DA). Activities which contribute to expanding market access for MSMEs by expanding financial services and private sector investment will be established through a variety of alliances and DCA agreements. Up to \$500,000 will

be used to establish DCA guarantees.

FY 2006 Program

SO: 527-011 Improved Health for Peruvians at High Risk

Address Other Health Vulnerabilities

Address Other Health Vulnerabilities (\$3,005,000 CSH). USAID addresses critical systemic weaknesses in Peru's health sector. Elements include: technical assistance to build decentralized management capacity; setting and enforcing service quality standards; developing payment mechanisms for health services, especially for low income Peruvians; strengthening information systems and the regulatory role of the Ministry of Health (MOH). Principal implementers: Abt Associates, MOH, and The Futures Group.

Improve Child Survival, Health & Nutrition

Improve Child Survival, Health and Nutrition (\$870,000 CSH). The Health Program is expanding its programs in child health and nutrition, and childhood illness. Work is carried out in partnerships with health care providers within community and clinic settings located predominantly in USAID's focus regions. Principal implementers: Academy for Educational Development (AED), MOH, Pathfinder International, and PRISMA.

Improve Maternal Health & Nutrition

Improve Maternal Health and Nutrition (\$778,000 CSH). Maternal mortality and morbidity are persistent and complex problems that USAID continues to address in conjunction with the MOH and professional associations, and through work at the community level. Training of health care workers, systematic upgrading of MOH facilities and community education continues in FY 2006. Principal implementers: MOH, Pathfinder International, PRISMA.

Prevent & Control Infectious Diseases Of Major Importance

Prevent and Control Infectious Diseases of Major Importance (\$1,145,000 CSH). USAID continues to build capacity for disease surveillance, data analysis, diagnosis, treatment, and communications at the central and decentralized levels. USAID is partnering with the MOH to improve Peru's response capacity for major infectious diseases, including a potential influenza pandemic. Principal implementers: MOH, Naval Medical Research Center Detachment (NMRCD)-Peru, Pathfinder International, and The Futures Group.

Reduce Transmission & Impact Of HIV/AIDS

Reduce Transmission and Impact of HIV/AIDS (\$1,584,000). USAID continues to support the recovery of the MOH's HIV/AIDS program by funding surveillance studies; training health care providers and program managers; supporting education and communications programs to prevent and control reduce HIV infection, as well as reduce the stigma and discrimination associated with the disease. USAID efforts in Peru are designed to support the Global Fund to Fight AIDS, Tuberculosis and Malaria. Principal implementers: MOH, Naval Medical Research Center Detachment (NMRCD)-Peru, Pathfinder International, Peace Corps, and The Futures Group.

Support Family Planning

Support Family Planning (\$6,831,000 CSH). Peru graduated from a program of USAID-donated

contraceptive commodities in 2004. USAID is now strengthening logistics systems in the public and private sectors. In response to widespread patient dissatisfaction, USAID is supporting the MOH in improving clinicians' skills, emphasizing voluntarism and provision of full information to all family planning clients. Principal implementers: Abt Associates, MOH, Pathfinder International, PRISMA, and The Futures Group.

FY 2007 Program

SO: 527-011 Improved Health for Peruvians at High Risk

Address Other Health Vulnerabilities

Address Other Health Vulnerabilities (\$3,100,000 CSH). USAID will address critical systemic weaknesses in Peru's health sector. These measures are essential for the sustainability of all other components of this Strategic Objective. Elements may include: technical assistance to build decentralized management capacity; setting and enforcing service quality standards; developing payment mechanisms for health services, especially for low income Peruvians; strengthening information systems and their use for decision making; and strengthening the MOH's oversight role.

Improve Child Survival, Health & Nutrition

Improve Child Survival, Health and Nutrition (\$1,200,000 CSH). USAID will expand its work on child health, nutrition, and the prevention and treatment of childhood illness through health services and community programs, and through partnering with national level professional and donor institutions.

Improve Maternal Health & Nutrition

Improve Maternal Health and Nutrition (\$900,000 CSH). Maternal mortality and morbidity are persistent and complex problems that USAID addresses in conjunction with the MOH and professional associations, and through work at the community level. Programs would include training health providers in obstetrical care, upgrading MOH facilities, and community education.

Prevent & Control Infectious Diseases Of Major Importance

Prevent and Control Infectious Diseases of Major Importance (\$1,145,000 CSH). USAID's program will continue to build capacity for disease surveillance, reporting, data analysis, appropriate diagnosis and treatment, and health communications at the central and decentralized levels of the public sector. USAID partners with the MOH to improve Peru's response capacity for major infectious diseases, including a potential influenza pandemic.

Reduce Transmission & Impact Of HIV/AIDS

Reduce Transmission and Impact of HIV/AIDS (\$1,200,000). USAID would support the MOH's HIV/AIDS program by training health care providers and program managers; supporting education and communications programs to prevent and control HIV infection, and reducing stigma and discrimination among health care providers and the public.

Support Family Planning

Support Family Planning (\$5,191,000 CSH). Improving the quality of reproductive health services and strengthening commodity logistics systems in the public and private sectors will continue to be USAID's focus. USAID is committed to voluntarism and provision of information to all family planning clients within

the precepts of the Mexico City Policy. Principal implementers: To be determined through a competitive process.

FY 2006 Program

SO: 527-012 Strengthened Environmental Management to Address Priority Problems

Improve Sustainable Management Of Natural Resources & Biodiversity

Improve Sustainable Management of Natural Resources and Biodiversity (\$1,958,000 DA). Through its work with key GOP institutions, USAID supports international timber certification standards for forest concessions, in an effort to both combat illegal logging and promote the sustainable management of forest resources. The certification initiative establishes working models and includes working with private sector as well as indigenous community concessions. USAID provides assistance to key national parks to improve national park and protected area management. A new activity is being designed to help the GOP expand the timber certification process and build capacity. Principal contractors/grantees: Field Museum of Chicago, International Resources Group (IRG), Peru's National Institute of Natural Resources (INRENA), The Nature Conservancy, World Wildlife Fund (WWF).

Increase Trade and Investment

Increase Trade and Investment (\$1,082,000 DA). USAID assists Peruvian Government institutions to comply with the Environmental Chapter and Environmental Cooperation Agreement requirements of the FTA. In particular, focus is placed on compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES II), on equitable distribution of benefits generated from environmentally sound trade, and on partnerships between private sector industry and the environmental sector. USAID also supports the Peruvian National Environment Council's (CONAM) aim of further advancing the environmental sector decentralization process which seeks to engage municipalities and local populations from all groups nationwide in effective environmental management. Principal contractors/grantees: International Resources Group (IRG), Peru's National Institute of Natural Resources (INRENA), Peruvian National Environment Council (CONAM), World Wildlife Fund.

FY 2007 Program

SO: 527-012 Strengthened Environmental Management to Address Priority Problems

Improve Sustainable Management Of Natural Resources & Biodiversity

Improve Sustainable Management of Natural Resources and Biodiversity (\$1,864,000 DA). USAID will continue to combat illegal logging and promote the sustainable management of forest resources by supporting the expansion of the timber certification process, GOP capacity building in this arena, and the equitable inclusion of different population groups in these processes. Support will also continue for the improvement of national parks and protected areas within them. Principal contractors/grantees: International Resources Group (IRG), Peru's National Institute of Natural Resources (INRENA), Peruvian National Environment Council (CONAM), and World Wildlife Fund.

Increase Trade and Investment

Increase Trade and Investment (\$1,206,000). USAID assistance will continue to help Peruvian Government institutions to comply with the Environmental Chapter and Environmental Cooperation Agreement requirements of the FTA. USAID will also continue to support the CONAM's municipal certification process, thus strengthening FTA implementation at local levels. Principal contractors/grantees: International Resources Group (IRG), Peru's National Institute of Natural Resources (INRENA), Peruvian National Environment Council (CONAM), and World Wildlife Fund.

FY 2006 Program

SO: 527-013 Sustained Reduction of Illicit Coca Production in Targeted Areas of Peru

Develop & Expand Alternative Development

Develop and expand alternative development: (\$48,510,000 ACI). The program will be implemented through the following subcomponents:

Voluntary and forced eradication (\$34,762,000 ACI). USAID supports communities or areas where coca has been eradicated through a variety of interventions including: funding small, labor-intensive, infrastructure works, such as roads and bridges, schools, health posts and sanitation systems, as a means of improving local services and providing temporary income; technical assistance and inputs for market oriented crops; scholarships; and conflict mitigation interventions. Principal implementers: Chemonics, local nongovernmental organizations (NGOs), specialized Peruvian governmental agencies, other implementers to be determined through a competitive process.

Sustainable local/regional development (\$5,000,000 ACI; \$111,000 DCA). Information and technical assistance from USAID assists entrepreneurs and small producers to link production to market demand and encourage private investment in licit productive activities. USAID promotes private-public partnerships in economic infrastructure, mainly transportation in targeted areas; and provides final funding to the completed rehabilitation/maintenance of the Juanjui-Tocache road. Technical assistance and training for national park management and neighboring communities supports sustainable management of protected forest areas to prevent illegal coca planting. USAID technical assistance and training to local/regional governments facilitates expanded state presence, improved governance, and better access to and quality of education/health/nutrition services in target regions. Development Credit Authority (DCA) FY 2004 carry over funds guarantee loans from specialized institutions to licit economic projects in the priority regions. USAID's resources also leverage private sector resources through DCA agreements for loan portfolio guarantees with strategic lending institutions or portable guarantees with strategic enterprises. Principal implementers: Academy for Educational Development (AED), Associates in Rural Development (ARD), Chemonics, Chicago Field Museum, Pathfinder International, U.S Army Corps of Engineers, local non-governmental organizations, and specialized government agencies.

National framework for counter narcotics/alternative development (\$2,386,000 ACI). Specific studies, technical assistance and advocacy efforts continue supporting policy and institutional changes related to such issues as precursor chemical control, and the control of licit coca leaf production and commercialization. Further assistance is being provided to the Government of Peru's (GOP) counter narcotics coordinating entity - DEVIDA, to strengthen its institutional capacity to improve implementation of the GOP's counter narcotics strategy. Principal implementer: Development Alternatives Inc. (DAI) and DEVIDA.

Communications (\$6,362,000 ACI). A range of media is used to: convince families in coca growing areas to embrace a licit lifestyle and reject illegal coca cultivation; enhance awareness among the general public of the negative impacts of and links between illegal coca and narco-trafficking; and gain support among decision makers in favor of alternative development and counter narcotics related policy reforms. Principal implementers: CEDRO (Peruvian non-governmental organization), Chemonics, and DAI.

FY 2007 Program

SO: 527-013 Sustained Reduction of Illicit Coca Production in Targeted Areas of Peru

Develop & Expand Alternative Development

Develop and expand alternative development: (\$42,500,000 ACI). USAID plans to implement the following sub-components during FY 2007:

Voluntary and forced eradication (\$32,600,000 ACI). USAID funding for small infrastructure works and productive projects will continue, as well as funding for scholarships and conflict mitigation in communities and areas where coca is eradicated or which remain coca free.

Sustainable local/regional development (\$3,500,000 ACI). Continued support to licit businesses and promotion of economic opportunities in target areas is planned. A new activity will be designed and an implementing counterpart selected for this. USAID will continue to support local governance and the improvement of education, health and nutrition services.

National framework for counter narcotics and alternative development (\$2,800,000 ACI). USAID will continue providing support to the GOP to improve its institutional capacity to implement an effective counter-narcotics strategy.

Communications (\$3,600,000 ACI). USAID plans to continue the above activities to foster political will, encourage key behavior change, and increase public awareness of counter narcotics issues through a cross cutting communications program.

Principal implementers: To be determined through a competitive process.

Results Framework

527-006 Local Management of Quality Basic Education in Selected Geographic Areas

Program Title: Education

IR 1: Policies implemented to promote decentralized management of quality basic education programs.**

IR 2: Local basic education programs in selected communities improved.**

527-008 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas

Program Title: Peru-Ecuador Border Region Development

IR 1: Increased capacity of sub-national governments to manage economic development processes

IR 2: Improved basic capacities for economic development

Discussion: Phase I of the Border SO, community development focus, sended in FY 2004. SO indicators relevant to Phase I were percentage of households with unmet basic needs and chronic malnutrition. Starting FY 2005, Phase II of the Border SO started interventions focused on private sector led growth. Thus, the SO indicator for Phase II is number of jobs generated. IR s relevant for Phase II are only IR 1 and IR 2.

527-009 Democratic Processes and Institutions Strengthened in Critical Areas

Program Title: Democratic Strengthening

IR 1: Improved stakeholder participation in the adoption and implementation of key policy reforms supportive of the democratic transition

IR 2: Increased responsiveness of elected sub-national governments to citizens at the level in selected regions

IR 3: Congressional performance improved to be more independent, effective and representative of citizen interests

IR 4: Justice sector performance improved to be more independent, transparent and efficient in protecting fundamental rights

IR 5: Past human rights abuses addressed through the Truth and Reconciliation Commission

527-010 Increased Economic Opportunities for the Poor

Program Title: Economic Growth

IR 1: Improved enabling Environment to Promote Economic Growth, Trade and Investment

IR 2: Increased Availability of Financial Services

IR 3: Improved Access to and Participation in Markets

IR 4: Improved Capacity of the Extremely Poor to Participate in Economic and Social Life

527-011 Improved Health for Peruvians at High Risk

Program Title: Health

IR 1: Quality Services Accessible and Utilized

IR 2: People Practicing Healthy Behaviors

IR 3: Health Sector Policies and Programs More Responsive to Health Needs

527-012 Strengthened Environmental Management to Address Priority Problems

Program Title: Environment and Natural Resources

IR 1: National Environmental Policy and Institutional Framework Strengthened

IR 2: Local Environmental Management Implementation Strengthened

527-013 Sustained Reduction of Illicit Coca Production in Targeted Areas of Peru
Program Title: Alternative Development

IR 1: Effective management of counternarcotics Issues

IR 2: Public willingness to reject coca increased

IR 3: Licit economic opportunities available

IR 4: Perceived value of government increased